

Internal Control Assessment Progressive Pursuit of Delinquent Debts

Purpose

To ensure that FSA's internal control policies and standards regarding pursuit of delinquent debts comply with policies established by OMB Circular A-129 and the Debt Collection Improvement Act (DCIA).

Background

In accordance with OMB Circular A-129 and the DCIA, FSA must progressively act on the collection of delinquent debts, using all available collection tools to maximize collections. FSA should develop a systematic process for the collection of delinquent accounts. Collection strategies should take full advantage of available collection tools while recognizing program needs and statutory authority. FSA may use the following collection tools when the debt is fewer than 180 days delinquent:

Demand Letters. As soon as an account becomes delinquent, FSA should send demand letters to the debtor. The demand letter must give the debtor notice of each form of collection action and type of financial penalty the agency plans to use. Additional demand letters may be sent if necessary.

Internal Offset. If FSA also makes payments to the debtor, the FSA may use internal offset to the extent permitted by FSA's statutes, regulations and the common law. Delinquent debts owed by FSA's employees may be offset in accordance with statutes and regulations administered by the Office of Personnel Management.

Treasury Offset Program. FSA may refer delinquent debts to Treasury/FMS in order to offset Federal payments due to the debtor. Payments, which Treasury will offset, include certain benefit payments, federal retirement payments, salaries, vendor payments and tax refunds.

Administrative Wage Garnishment. FSA has the authority to administratively garnish the wages of delinquent debtors in order to

recover delinquent debt. The maximum garnishment for any one debt is 15% of disposable pay. Multiple garnishments from all sources against one debtor's wages may not exceed 25% of disposable pay of an individual.

Contracting with Private Collection Agencies. Treasury has contracted with private collection agencies that may be used by FSA to provide assistance in the recovery of delinquent debt owed to the program. FSA may also transfer debts to Treasury prior to 180 days for the purpose of referral to private collection agencies.

Treasury Cross-Servicing. FSA may transfer debts to Treasury for full servicing at any time after the debt becomes delinquent. Once Treasury has received a debt for servicing, the appropriate debt collection actions will be taken. Once debts are transferred to Treasury, FSA must cease all collection activities other than maintaining accounts for the Treasury Offset Program.

The DCIA requires that FSA refer all debts more than 180 days delinquent to the Treasury Department for offset of tax refunds and further action.

Internal Control Standard

FSA must pursue delinquent debts in a progressively aggressive manner.

Assessment of FSA's Compliance*

We held several meetings with FSA staff and determined that not all tools available are used to aggressively pursue delinquent debts. Of the XX delinquent debts sampled, XX% had not been mailed demand letters. FSA has also failed use the offset tools available to collect outstanding debts. Of the XX delinquent debts sampled, XX% had not been forwarded to private collection agencies.

* *The actual testing phase including interviews and examination of sampled records has not yet occurred. This write up is only a sample of what may be discovered during the testing phase of the FMFIA process.